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PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

- - - - In the Matter of - - - -	)	PUC Docket No. 2009-0108
	)	
	)	
PUBLIC UTILITIES COMMISSION	)	
	)	
Instituting a Proceeding to Investigate Proposed Amendments To the Framework for Integrated Resource Planning	)	
	)	

PRELIMINARY STATEMENT OF POSITION

OF

HAWAII RENEWABLE ENERGY ALLIANCE

AND

CERTIFICATE OF SERVICE

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I. INTRODUCTION

The Commission, by its Order filed on May 14, 2009, opened the instant docket hereafter referred to as the "IRP" docket. The Commission, by its Order filed on November 28, 2009, granted the May 14, 2009, motion of Hawaii Renewable Energy Alliance ("HREA") to intervene in the IRP docket.

Per the proposed Stipulated Procedural Order and Schedule filed by the Parties on September 11, 2009, as modified by the Commission in its order, dated September 23, 2009, HREA respectfully submits its Preliminary Statement of Position ("PSOP").

II. HREA's PRELIMINARY STATEMENT OF POSITION

A. ISSUES

The following is HREA's PSOP on the issues as stated in the Stipulated Procedural Order and Schedule filed by the Commission on September 23, 2009.

1. **What are the objectives of CESP and how do they differ from the objectives of IRP?**

HREA's Position. The proposed objectives of CESP are included in the excerpt from section 32 on pages 36 to 37 of the Energy Agreement[1] inserted below. HREA understands the primary objective to be to "provide high level guidance on long term (10-20 years) direction and an Action Plan for near term initiatives (5 years), balancing how the utility will meet its customers' expected energy needs as modified by planned energy efficiency, renewables substitution and demand response, encouraging high levels of renewable and clean energy with distributed resources, while protecting reliability at reasonable costs."

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32 Clean Energy Scenario Planning (CESP)

To improve analysis and guidance for Hawaii's clean energy future, the parties agree to replace the current Integrated Resource Planning (IRP) process with a new Clean Energy Scenario Planning (CESP) process. The parties agree to the following:

- The CESP process will provide high level guidance on long term (10-20 years) direction and an Action Plan for near term initiatives (5 years), balancing how the utility will meet its customers' expected energy needs as modified by planned energy efficiency, renewables substitution and demand response, encouraging high levels of renewable and clean energy with distributed resources, while protecting reliability at reasonable costs.
- The CESP process will be conducted on an on-going basis with a new Clean Energy Scenario Plan developed in three-year cycles. The CESP process will include exploring alternative energy scenarios, risks and uncertainties, to develop a base case and variations for a 20-year planning horizon.
- Since clean energy actions and choices on one island may affect the entire State, all Hawaiian Electric utilities shall conduct the CESP process in parallel or as one CESP process for all three utilities, using common economic and other assumptions and common scenarios for technology, economic, and development paths and options, while maintaining the option to also develop island-specific scenarios.
- The Hawaiian Electric utilities shall conduct a comprehensive generation and transmission analysis every three years to support the evaluation of several planning scenarios to be considered in developing the new base case. In addition, the Hawaiian Electric utilities shall provide Locational Value Maps that will guide the identification of geographic areas of distribution system growth for potential application of new energy efficiency, demand response, and distributed generation and storage within Clean Energy Investment Zones.
- The CESP process will incorporate an Advisory Committee and a public review process;

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[1] Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce & Consumer Affairs, and the Hawaiian Electric Companies, October, 2008. The Agreement was downloaded from: http://www.heco.com/vcmcontent/StaticFiles/pdf/HCEI.pdf.

HREA believes CESP as proposed is consistent with the existing IRP framework. The overall objectives are virtually the same as noted in the sentence below, comparing the more general goal of the original IRP framework ("in bold") with the proposed more specific goal of CESP as indicated in italics within the parentheses:

> "**The goal of Integrated Resource Planning** *("CESP process to provide high level guidance…long term…short term direction")* **is the identification of resources or mix of resources** *("planned energy efficiency, renewables substitution and demand response" and "renewable and clean energy with distributed resources")* **for meeting near and long term consumer** *("customer")* **needs in an efficient and reliable manner** *("protecting reliability")* **at the lowest reasonable** *("reasonable" without the modifier low')* **cost.**"

More specifically, HREA notes that:

1. IRP is a planning process which provides "high-level" guidance on long and short term timelines, as proposed CESP. IRP also provides "detailed-level" guidance via the Action Plan which is an integral part of IRP. As proposed, CESP would also include "detailed-level" guidance per an Action Plan;
2. IRP is used to identify resources, both supply-side and demand-side, as proposed in CESP. In the proposed CESP, specific references are made to "energy efficiency, renewable substitution and demand response." All three of these measures have been planned and implemented via IRP in specific demand-side and load management programs;
3. As proposed in CESP, the goal of IRP as included increasing the level of renewable energy and energy efficiency, which are the key elements of "clean energy."

4. Interestingly, the term "consumer" in the IRP goal was replaced with "customer" in the CESP goal. We support the term "consumer" as it is more general, suggesting that IRP should consider all impacts to consumers, while the term "customer" implies that planning is purely for the utility "customer." The term "efficient" is in the IRP goal but left out of the CESP goal. Clearly, an efficient process is going to contribute to lower costs. Whether the cost element of the goal should be "lowest reasonable cost" or "reasonable," is a good point to discuss further.

That said, HREA:

1. concludes that the goals of IRP and CESP are quite similar. Or stated another way, HREA does not view the goals of CESP as remarkably different or from those of *classic*[2] IRP,
2. does not, therefore, support renaming IRP to be CESP, and
3. does support improvements to IRP, taking into account certain elements of CESP as proposed, and as discussed herein. Specifically, HREA views CESP as a potentially-valuable method for analysis and evaluation of alternative clean energy technologies and scenarios for implementation, and therefore should be an element of IRP.

[2] *Classic* IRP is defined as IRP as conceived and implemented under the 1992 IRP Framework.

2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?

HREA's Position. The basis for proposed changes to the IRP process is grounded the desire to improve IRP to overcome what HREA views as weaknesses of *classic* IRP, and to reshape IRP as an implementation tool for state energy policy. We recommend a revised set of governing principles to effect these changes, which we believe are reasonable and in the public interest: Our goal in proposing these changes in the governing principles are to:

(i) overcome the weaknesses of *classic*[3] IRP. HREA's purpose here is not to enumerate in detail the weaknesses and shortcomings of *classic* IRP (what some call "baggage"). We do note that IRP can be improved from what HREA has viewed as an inefficient *classic* IRP process in which non-utility advice has been sought, but generally not incorporated into specific IRPs, and more importantly, submitted IRPs have not been approved in a timely manner. In short, while the IRP process has allowed stakeholders to learn more about the utility and its planning process, IRP has not been an effective implementation tool for state energy goals and policy with respect to the electrical energy sector, and

(ii) enhance the use of IRP as an implementation tool for state energy policy. HREA views IRP as a key step, if not the cornerstone, to attainment of certain of our state electrical energy goals. These state goals are, in part, currently embodied in our state constitution (Article XI, Section 1), HRS §226-18 (Objectives and policies for facility systems—energy), §269-27.2 (Utilization of electricity generated from nonfossil fuels), §269-Part V (Renewable Portfolio Standards), §269-Part VI (Net Energy Metering), and §269-Part VII (Public Benefits Fee).

[3] *Classic* IRP is defined as IRP as conceived and implemented under the 1992 IRP Framework.

Since these goals and related policy will likely change over time, HREA believes the IRP framework should be redesigned to incorporate directly our current goals and policies, all future amendments, and new goals and policies. In the past, HREA observes that not all our relevant goals were treated enthusiastically in IRP. If we are to be successful in the future, this must change starting with revisions to the governing principles which are discussed the next section

Revised Governing Principles. HREA proposes a revised set of governing principles broken down into three categories: overall, resource acquisition and operation, and IRP process

- Overall:
  - Meet forecasted electrical energy demand (MW, MWHs) via demand and supply-side resources over the IRP period. This is a re-statement of a *classic* IRP governing principle, as the one of the key elements of IRP;
  - Identify and meet state energy objectives, and comport with state and county environmental, health, and safety laws and formally adopted state and county plans. This is a re-statement, in part, of a *classic* IRP governing principle, and an enhancement in terms of an ongoing process to identify and incorporate new state energy policies in to IRP. In the case of the latter, HREA recommends incorporating the specific state energy goals and policies (as identified above) in appendices to the framework. That said, a corollary to this principle would be to amend or add appendices in the future, as appropriate, as an extension of the IRP docket, rather than having to open a new docket;
  - Maintain and enhance electrical system reliability, safety and security to facilitate state energy objectives, goals and policies. This is a a re-statement, in part, of a *classic* IRP governing principle, and an enhancement

in terms of energizing utility infrastructure modifications to facilitate our overall goals of reducing fossil fuel use and increasing our use of indigenous resources. Note also that we believe reliability can be enhanced, rather than "protected" as stated in the CESP goal.

- Resource Acquisition and Operation:
  - Prioritize, as a "no regrets policy," based on CESP (new definition of analysis and evaluation to be added to the IRP Framework), resource acquisition and disposition in this order: (1) energy efficiency, (2) conservation, (3) renewables and storage, and (4) phase out of conventional fossil facilities based on and "no regrets" policy. This is a new governing principle that conceptually appears to have some support among the Parties. HREA's interpretation/explanation of this principle is as follows. Generally, energy efficiency measures are the most cost-effective and therefore should be implemented first. Conservation (measures to avoid the need for electricity, e.g., solar hot water systems, seawater air conditioning, and solar air conditioning) generally goes hand-in-hand with energy efficiency, especially when one is looking at the best way to reduce on-site capacity and energy demand. Generation of renewable energy has generally been viewed as less cost-effective due to higher capital costs.. HREA has added "storage" to the list of resources, when some might argue that storage is not really a resource. However, HREA would like the Parties to consider that storage is a key element in the integration of more renewables on our grids, and therefore storage should be given priority. Moreover, given our current clean energy objectives, this principle reflects, in part, a "no regrets" policy to prioritize renewables over fossils. The remaining debate will circle around

the question of how to value the attributes (and benefits) of renewables versus their costs. We believe this debate will continue as we explore which resource acquisition methods facilitate best the acquisition of renewables.

- Prioritize acquisition methods in this order: demand-side management ("DSM") programs, net metering, feed-in tariffs, competitive bidding and non-bid contracts. This is a new governing principle that HREA is now proposing to the other Parties. HREA rationale for this principle is as follows. DSM programs are proven "winners," and the Public Benefits Fund ("PBF") Administrator is to focus on measures to reduce the amounts of MWs and MWHs moving forward. HREA notes this charge should cover the bulk of the energy efficiency and conservation measures. Some may question why net metering is prioritized ahead of feed-in tariffs ("FiT"). First, HREA considers NM to be "low hanging fruit" of renewable generation, as NM is easy to implement and is cost-effective with current incentives. Second, while incentives may change over time, NM technologies will also become more cost-effective on their own. Third, along with energy efficiency and conservation, NM technologies are key to the goal of achieving net energy buildings. Finally, in HREA's opinion, achieving net energy buildings by 2030 is not only achievable, and will facilitate achieving 30% of the desired 70% total clean energy target.
- Prioritize implementation of distribution generation ("DG") over central generation ("CG"). This is a new governing principle that conceptually appears to have some support among the Parties. HREA supports this principle, in part, because it supports resource acquisition principles and the goal of zero net energy buildings as discussed above. In addition, more DG

will improve the overall grid reliability and security, and ultimately grid stability. That said, we also recognize that accomplishment of will require potentially substantial investments in utility infrastructure.

- Design, modify, and operate the utility system to maximize the use of clean energy resources. This is a new governing principle that HREA is now proposing to the other Parties. HREA sees this principle as being solidly grounded in state policy, referencing specifically HRS §269-27.2 (Utilization of electricity generated from nonfossil fuels). To be clear, the intent is to maximize output from all existing and future renewable facilities. Furthermore, this principle is remarkably consistent with new RPS requirements of 40% renewable electricity by 2030.
- Mitigate power outages after catastrophic events. This is a new governing principle, proposed by the County of Maui, which HREA wholeheartedly agrees. In fact, emphasizing this principle in practice will support other key energy goals, such as increasing our energy security and grid stability.

HREA would also like to note that exercise of these principles will become a key element of what HREA believes the CESP component of IRP should become. Specifically, CESP should bring more clarity to and understanding of the following trade-offs we face, particularly in formulating the Action Plans:

1. Relative amounts of MWs and MWHs to be acquired from energy efficiency, conservation, renewables, storage and fossils, including the retirements of specific fossil facilities;
2. Relative amounts of MWs and MWHs to be acquired from DSM programs vs. Net Metering vs. Feed-In Tariffs vs. Competitive Bidding vs. Non-Bid Contracts vs. Other;

3. Relative MW and MWH amounts to be acquired from DG vs. CG; and
4. Comparing the costs and benefits of the CESP alternatives to determine which plan will give us the "lowest reasonable" or "reasonable" cost.

- IRP Process:
  - Ongoing, open, transparent, efficient and nimble. This is a re-statement of a *classic* IRP governing principle with some enhancements. Specifically, HREA envisions IRP as ongoing process, which would allow intervention and participation at any time in the process. To be more efficient, HREA supports more Commission involvement during the IRP process, including resolving process and technical issues that may arise during IRP discussions and deliberations. This would also help make the process nimble, for example, changes in could be made as IRPs, resolving participant input or utility direction, as the IRPs are being drafted. Currently, if participants have any unresolved issues they must intervene and seek resolution after the IRP has been submitted to the Commission;
  - Clear definition of roles and legal standing/responsibility of all IRP participants. This is a re-statement of a *classic* IRP governing principle,
  - Basic plan period of 20 years, action plan of five or more years, annual reviews and flexible periods for major revisions five years. This is a re-statement and enhancement of a *classic* IRP governing principle. Specifically, *classic* IRP included a basic plan for 20 years with an action plan for five years, major revisions on three-year cycles, and annual reviews. HREA supports a more rigorous annual review, including updates and revisions to an ongoing 5 to 10 year Action Plan. Given that, we believe major revisions should be every five years, e.g., at 2015, 2010, etc.

Not only have the 3-year cycles been inefficient, we believe that a 3-year major revision period is not necessary. With our proposal herein, the annual reviews will become more meaningful by drawing more attention to the "work in progress;"

- One plan for each island utility, and an overall plan for the island chain This is a re-statement and enhancement of a *classic* IRP governing principle. Specifically, HREA believes there should be an IRP for each island utility that addresses how each island can meet our state energy goals, i.e., each island stays an "island." We also support the preparation of an island-wide plan for HECO and, if appropriate, including KIUC. This IRP would take into consideration the proposed inter-island cable system, and other energy transfer options. To be clear, HREA believes this should be a separate plan, given what we believe is a high degree of uncertainty in developing, constructing, and operation such a system. That said, each island plans serve as a "back-up" to the cable system, whereas back-up plans do not appear to be under consideration at this time;
- Consideration to the plans' impacts upon the utility's consumers, the environment, culture, community lifestyles, the State's economy, and society, This is a re-statement and enhancement of a *classic* IRP governing principle. HREA also notes that IRPs moving forward will be dealing new issues, some of which were perhaps not envisioned in *classic* IRP, e.g., potential carbon legislation, mitigation of future recessions, and stabilization of energy bills;
- All Parties are entitled to recovery of a portion up to all costs of their participation in IRP This is a re-statement of and an enhancement of a *classic* IRP governing principle. In *classic* IRP, compensation was assured

for utility participation. HREA supports reimbursement of the costs for Intervenors to participate in specific IRPs. Intervenors should have the right to seek reimbursement of costs on a quarterly basis with submittal of appropriate documentation of time and material expenditures. In determining the amount of reimbursement, the Commission should take into consideration the value of the specific Intervenor's contributions, the reasonableness of the reimbursement requested, and the Intervernor's ability to pay their intervention costs;

- Role of Clean Energy Scenario Planning ("CESP"). This is a new IRP governing principle. HREA proposes that CESP, as defined below, be implemented as an information gathering, analysis and implementation tool in IRP. HREA proposes the following specific definition:

  "CESP is an information gathering, analysis and evaluation tool, grounded in the benefit/cost analysis of alternate scenarios to reach specific clean energy objectives. The benefits to be examined include:

  (i) capacity and energy contributions towards meeting the state energy goals,

  (ii) reductions of greenhouse gas emissions,

  (iii) increases in energy security,

  (iv) maintaining and possibly enhancing grid reliability, and

  (v) stabilization and possible reduction of customer energy bills over time.

  The costs to be examined are the costs to:

  (i) acquire clean energy resources,

  (ii) integrate the clean energy resource into our island grids,

(iii) transfer electrical energy within the island chain, and

(iv) be born by ratepayers and/or shareholders.

Note: the results of CESP would be one of several planning activities necessary to prepare an IRP, such as, but not limited to planning for:

(i) acquisition of renewable energy, energy efficiency, and storage technologies. Acquisition methods include competitive bidding, feed-in tariffs, net metering, non-bid contracts, and rate design,

(ii) phase out and retirement of existing utility power plants,

(iii) upgrade of utility infrastructure to facilitate DG, and

(iv) undergrounding of utility distribution and/or transmission lines *to support system reliability and energy security goals."*

Finally, HREA believes the implementation of a revised IRP Framework based on these governing principles will benefit the consumer through the attainment of our energy goals, which in turn will help stabilize and reduce energy bills over time.

At the present time, since HREA has focused on the justification and rationale for new governing principles, we would like to seek consensus on the principles first. Thus, we are not presenting a "mark-up" of the *classic* IRP Framework or an alternative Framework at this time.

That said, we believe that major revisions for the following:

- Objectives and Goals,
- Governing principles,
- Incorporation and updating of state energy goals and policies,
- Make-up, responsibilities and legal standing of the Participants in IRP,
- Timeline and content of the IRP Basic Plan, Action Plan and review cycles, and
- Definition and role of CESP in IRP.

3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?

HREA's Position. The IRP framework should be broad enough in principle and process to apply to all electric utilities in Hawaii, whether cooperative or investor owned. This means designing the IRP framework to be flexible enough to accommodate differing utility energy policy objectives, e.g., the HECO Companies have signed the Energy Agreement with the state of Hawaii in support of HCEI objectives. KIUC has not. Yet KIUC must also meet specific energy policy objectives, such as contained in our RPS and NM laws. Perhaps subject to further discussion as to what is CESP, KIUC may be willing to accept its inclusion in the IRP Framework.

Although not discussed much to this point, HREA believes there should be a clarification as to application of IRP to the gas companies and perhaps also the petroleum companies. Specifically, as we strive to achieve our clean energy goals, HREA believes that the gas and petroleum companies have roles to play, and should be allowed to participate in IRP and perhaps prepare their own IRPs in support of state energy goals.

4. What should be the role of the state's public benefits fee administrator?

HREA's Position. The state public benefits fee ("PBF") Administrator has been put under contract by the Commission to provide certain energy efficiency services which are funded by ratepayers. As such, the plans and implementation outputs provided by the PBF Administrator are very relevant to IRP. Given that HREA is recommending that energy efficiency be given the highest priority in resource acquisition, it is essential that the planning inputs from the PBF Administrator be timely. At a minimum, HREA believes the PBF Administrator should participate in IRP in order to help facilitate the necessary two-way exchange of information to and from the utilities.

However, HREA is not sure what the level of PBF Administrator's participation should be. On the one hand, as a contractor the PBF Administrator could simply advise the Commission now during the IRP docket and subsequent future utility IRP dockets. On the other hand, perhaps the PBF Administrator should be made a Party to future IRP dockets.

Another issue is related to the implementation of the Energy Efficiency Portfolio Standard ("EEPS"). Specifically, if the PBF Administrator is ultimately tasked with meeting the EEPS, just as HECO and KIUC are tasked with meeting the RPS, should the PBF Administrator prepare an IRP for the EEPS? If so, then perhaps a more formal interaction would be appropriate between the PBF Administrator and the utilities. While we raises this issue now, we realize that it may or may not be an issue moving forward with the implementation of the EEPS.

This concludes HREA's PSOP.

DATED: October 2, 2009, Honolulu, Hawaii

CERTIFICATE OF SERVICE

The foregoing HREA PSOP was served on the date of filing by Hand Delivery or electronically transmitted to each such Party as follows.

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3. **Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?**

HREA's Position. The IRP framework should be broad enough in principle and process to apply to all electric utilities in Hawaii, whether cooperative or investor owned. This means designing the IRP framework to be flexible enough to accommodate differing utility energy policy objectives, e.g., the HECO Companies have signed the Energy Agreement with the state of Hawaii in support of HCEI objectives. KIUC has not. Yet KIUC must also meet specific energy policy objectives, such as contained in our RPS and NM laws. Perhaps subject to further discussion as to what is CESP, KIUC may be willing to accept its inclusion in the IRP Framework.

Although not discussed much to this point, HREA believes there should be a clarification as to application of IRP to the gas companies and perhaps also the petroleum companies. Specifically, as we strive to achieve our clean energy goals, HREA believes that the gas and petroleum companies have roles to play, and should be allowed to participate in IRP and perhaps prepare their own IRPs in support of state energy goals.

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